

Message Text

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ACTION NEA-10

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C O N F I D E N T I A L DOHA 327

E.O. 11652: GDS

TAGS: ENRG, QA

SUBJECT: HOLCAR OIL CONCESSION IN QATAR

REF: (A) DOHA 216 (B) DOHA 311 (C) DOHA 320

1. SUMMARY. EMBASSY ECON COMMERCIAL OFFICER MET WITH DIRECTOR OF PETROLEUM AFFAIRS, ABDULLAH SALLAT, MORNING OF 8 MARCH TO DISCUSS STATUS OF HOLCAR CONCESSION IN QATAR. ACCORDING TO SALLAT FORMAL CANCELLATION HAS NOT YET BEEN IMPLEMENTED BUT HOLCAR HAS NO CHANCE OF RETAINING CONCESSION. SALLAT ALSO TOLD E/C OFFICER OF GENESIS ON HOLCAR CONCESSION, INCLUDING SOME DETAILS WHICH COINCIDE WITH CARVER'S VERSION IN PARA SEVEN REFTEL (C).
END SUMMARY.

2. IN MEETING WITH E/C OFFICER MORNING OF 8 MARCH, SALLAT INDICATED THAT ALTHOUGH NO FORMAL NOTICE OF CANCELLATION HAS BEEN SENT TO HOLCAR THERE IS NO CHANCE THAT HOLCAR CONCESSIONARY AGREEMENT WILL BE EXTENDED. ACCORDING TO SALLAT, HOLCAR FAILED TO PERFORM TO CONTRACT IN TWO ESSENTIAL INSTANCES: FIRST, IN NOT FINISHING REQUIRED WORK PROGRAM AND SECOND, IN FAILING TO KEEP ADEQUATE RECORDS OF WORKS IN PROGRESS IN HOLCAR DOHA OFFICE FOR INSPECTION BY MINISTRY. SALLAT SAID THAT IF EITHER OF THESE CONTRACT PROVISIONS HAD BEEN MET HOLCAR MIGHT HAVE HAD BASIS FOR
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REQUESTING EXTENSION. SALLAT CONCEDED THAT HOLCAR MAY HAVE SPENT \$14 MILLION ON THE PROJECT AS HOLLEY AND CARVER SAID BUT THAT IN THE ABSENCE OF RECORDS THERE IS NO WAY TO JUDGE WHETHER MONEY HAD BEEN SPENT OR WHETHER IT WAS WISELY SPENT.

3. SALLAT SAID THAT HOLCAR HAD FAILED TO TAKE ADVICE OF MINISTRY ON DEVELOPING OPERATIONAL AND STAFFING PROBLEMS AND THAT HOLCAR

HAD IN FACT STOPPED ALL OPERATIONS IN QATAR ON JANUARY 1, 1977. (COMMENT: AS REPORTED REFTEL (A), EMBASSY AWARE THAT OFFICES CLOSED AND BANK ACCOUNTS CLOSED BY HOLCAR PRIOR TO END OF CONTRACT PERIOD. END COMMENT). ACCORDING TO SALLAT, ALL WARNINGS ON PERFORMANCE HAD BEEN GIVEN TO HOLCAR OFFICIALS IN THEIR MEETINGS WITH MINISTRY OFFICIALS. (SALLAT INDICATED THAT THESE WARNINGS WERE ORAL RATHER THAN IN WRITING AS MINISTER OF PETROLEUM HAD SAID IN 7 MARCH MEETING REPORTED REFTEL (C) BUT THAT INTERNATIONAL PRACTICE, QATARI LAW AND U.S. LAW ALLOWED ORAL WARNINGS AND THAT ORAL WARNINGS HAVE THE SAME EFFECT IN LAW AS WRITTEN WARNINGS.)

4. ACCORDING TO SALLAT, GOQ SYMPATHIZES WITH HOLLEY AND CARVER AND THAT OFFERS OF ASSISTANCE AND EVEN WARNINGS WERE GESTURES OF SYMPATHY NOT REQUIRED BY THE CONCESSIONARY AGREEMENT. SALLAT SAID THAT WHEN IT BECAME OBVIOUS THAT NO ATTEMPT WAS BEING MADE TO FOLLOW MINISTRY ADVICE OR TO COMPLETE THE REQUIRED WORK PROGRAM THE MINISTRY HAD TO CUT ITS LOSSES AND SEEK ANOTHER CONCESSIONAIRE. SALLAT SAID THAT MINISTER OF PETROLEUM HAD WANTED TO CANCEL THE HOLCAR CONCESSION IN MID 1977 BUT THAT SALLAT HAD CONVINCED THE MINISTER TO ALLOW THE TWO YEAR PROGRAM PERIOD TO END SO FUTURE LEGAL PROBLEMS WOULD BE AVOIDED.

5. SALLAT INDICATED THAT EIGHT COMPANIES HAD SHOWN INTEREST IN TAKING OVER HOLCAR CONCESSION AREA INCLUDING TWO U.S. FIRMS (WHICH SALLAT AGAIN DECLINED TO IDENTIFY ON GROUNDS THAT IT COULD CONFIDENTIAL

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PREJUDICE FUTURE NEGOTIATIONS) AND ATTOCK OIL COMPANY. SALLAT SAID THAT IF ATTOCK OIL COMPANY WAS THE SUCCESSFUL BIDDER, THE MINISTRY WOULD HAVE NO OBJECTION TO HOLCAR PARTICIPATION AS LONG AS ATTOCK WAS THE OPERATING COMPANY. HE ALSO SAID, HOWEVER, THAT THE TWO U.S. COMPANIES (WHICH HE CALLED "MAJORS") HAD THE BEST CHANCE OF TAKING THE CONCESSION.

6. E/C OFFICER, IN RESPONSE TO DIRECT QUESTION OF SALLAT, EXPLAINED POSITION OF EMBASSY IN PARTICIPATION IN HOLCAR/ MINISTRY MEETING OF 7 MARCH. E/C OFFICER EXPLAINED THAT AMBASSADOR AND E/C OFFICER WERE PRESENT AT THE REQUEST OF U.S. FIRM OPERATING IN QATAR AND WITH THE PRIOR APPROVAL OF THE MINISTER OF PETROLEUM. DIRECTOR THEN ASKED IF EMBASSY WOULD SUPPORT "BANK ROBBERS" IN QATAR. E/C OFFICER REPLIED THAT U.S. CONSULAR REGULATIONS WOULD, IN FACT, REQUIRE THE EMBASSY TO LOOK AFTER THE INTEREST OF AMERICAN CITIZENS EVEN IF THEY HAD BEEN ARRESTED ON CRIMINAL CHARGES AND THAT COMMERCIAL REGULATIONS REQUIRED THAT THE EMBASSY PROTECT THE COMMERCIAL INTERESTS OF U.S. FIRMS OPERATING IN FOREIGN COUNTRIES TO THE EXTENT POSSIBLE WITHIN THE LAWS OF THE HOST COUNTRY. E/C OFFICER TOLD SALLAT THAT, SINCE CONCESSIONARY AGREEMENT HAD NOT BEEN CANCELLED, HOLCAR WAS A U.S. FIRM OPERATING UNDER THE LAWS OF QATAR AND THE U.S. AND AS SUCH WAS ENTITLED TO

SAME PROTECTION OFFERED TO OTHER FIRMS. SALLAT SAID THAT NEITHER HE NOR MINISTER HAD UNDERSTOOD THAT THIS WAS REASON FOR PRESENCE OF EMBASSY OFFICERS. E/C OFFICER REQUESTED THAT SALLAT EXPLAIN EMBASSY POSITION TO MINISTER AND SALLAT AGREED TO DO THIS.

7. SALLAT THEN MOVED TO SUBJECT OF HOW HOLCAR HAD ORIGINALLY RECEIVED ITS CONCESSION. ACCORDING TO SALLAT, HIS FORMER POSITION AS DEPUTY DIRECTOR OF PETROLEUM AFFAIRS INCLUDED RESPONSIBILITY FOR TECHNICAL EVALUATIONS OF BIDS AND EVALUATION OF QUALIFICATIONS OF BIDDERS. SALLAT SAID THAT THIS PROCEDURE WAS NOT USED IN AWARDED THE HOLCAR CONCESSION. INSTEAD, A "PRIVATE DEAL" WAS MADE BETWEEN FORMER DIRECTOR ALI JAIDAH (NOW OPEC DIRECTOR GENERAL) AND HOLCAR. JAIDAH PRESENTED THE CONCESSIONARY AGREEMENT TO THE MINISTRY WITHOUT THE KNOWLEDGE OR CONSENT OF ANY OTHER
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MINISTRY OFFICIALS. WHEN ASKED, SALLAT DECLINED TO CONJECTURE ON WHAT THE "PRIVATE DEAL" INCLUDED. SALLAT SAID THAT AFTER THE CONCESSION HAD BEEN GRANTED (ACCORDING TO HIM THIS WAS THE FIRST INDICATION THAT HOLCAR WAS EVEN BEING CONSIDERED) HE HAD RISKED HIS JOB BY PRESENTING AN UNSOLICITED TECHNICAL EVALUATION AND COMPANY EVALUATION WHICH INDICATED THAT THE CONTRACT WAS TECHNICALLY DEFICIENT AND THAT THE COMPANY WAS NOT CAPABLE OF PERFORMING TO CONTRACT TERMS. HE ADDED THAT IN SPITE OF HIS INITIAL OBJECTIONS HE HAD OFFERED HOLCAR EXTRAORDINARY ASSISTANCE AND HAD GIVEN THEM AMPLE OPPORTUNITY TO PROVE THEMSELVES SINCE HIGHER AUTHORITIES THAN HE HAD MADE THE DECISION TO GRANT THE CONCESSION. SALLAT SAID THAT HIS INITIAL EVALUATIONS HAD BEEN PROVEN CORRECT AND THAT, WHILE HE WASN'T HAPPY TO SEE HOLCAR FAIL WITH LOSSES TO HOLCAR PARTNERS AND GOQ, HE COULD NOT DENY THAT HE WAS HAPPY TO SEE THE EVALUATION PROCESS AND HIS OWN EVALUATIONS VINDICATED.

8. COMMENT: (1) EMBASSY FEELS THAT SALLAT IS BEING PERFECTLY CANDID IN HIS DEALINGS WITH EMBASSY AND HOLCAR IN THIS MATTER. WE ASSUME THAT HE IS AWARE OF THE DETAILS OF THE "PRIVATE DEAL" INVOLVING JAIDAH AND HOLCAR BUT DOUBT THAT HE WAS A PARTY TO IT. WE HAVE HEARD NOTHING TO INDICATE THAT SALLAT HIMSELF HAS EVER BEEN INVOLVED IN ANY KIND OF "PRIVATE DEALS." (2) HOLLEY, CARVER AND THEIR ATTORNEY CONCEDE THAT THEY FAILED IN IMPORTANT ASPECTS OF THE AGREEMENT AND EXPLICITLY THREW THEMSELVES ON THE MERCY OF THE DIRECTOR AND THE MINISTER. THE DIRECTOR AND THE MINISTER HAVE DECIDED NOT TO LISTEN TO THE HOLCAR PLEA.
KILLGORE

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